

# House File 512 - Introduced

HOUSE FILE 512

BY JACOBY

## A BILL FOR

1 An Act excluding from Iowa net income federal recovery rebates,  
2 certain paycheck protection program loan forgiveness, and  
3 pandemic-related unemployment compensation, and including  
4 effective date and retroactive applicability provisions.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

FEDERAL RECOVERY REBATES

Section 1. IOWA INCOME TAX EXCLUSION FOR SECOND ROUND OF FEDERAL RECOVERY REBATES. In determining the amount of deduction for federal income tax under section 422.9 for tax years beginning in the 2020 calendar year, the amount of the deduction shall not be adjusted by the amount received by the taxpayer during the tax year of the income tax rebate provided pursuant to the federal Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, §272, and the amount of such income tax rebate shall not be subject to taxation under chapter 422, subchapter II.

Sec. 2. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

DIVISION II

PAYCHECK PROTECTION PROGRAM (PPP)

Sec. 3. Section 422.7, Code 2021, is amended by adding the following new subsection:

NEW SUBSECTION. 63. *a.* Subtract, to the extent included, the amount of any federal paycheck protection program second draw loan forgiveness pursuant to Pub. L. No. 116-260, §311, for tax years beginning on or after January 1, 2021, but before January 1, 2022.

*b.* This subsection is repealed on January 1, 2027.

Sec. 4. Section 422.35, Code 2021, is amended by adding the following new subsection:

NEW SUBSECTION. 31. *a.* Subtract, to the extent included, the amount of any federal paycheck protection program second draw loan forgiveness pursuant to Pub. L. No. 116-260, §311, for tax years beginning on or after January 1, 2021, but before January 1, 2022.

*b.* This subsection is repealed on January 1, 2027.

Sec. 5. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 6. RETROACTIVE APPLICABILITY. This division of this

1 Act applies retroactively to January 1, 2021, for tax years  
2 beginning on or after that date but before tax years beginning  
3 on or after January 1, 2022.

4 DIVISION III

5 UNEMPLOYMENT COMPENSATION

6 Sec. 7. Section 422.7, Code 2021, is amended by adding the  
7 following new subsection:

8 NEW SUBSECTION. 64. *a.* Notwithstanding any other provision  
9 of law to the contrary, for any tax year beginning on or after  
10 January 1, 2020, but before January 1, 2022, subtract to the  
11 extent included compensation or assistance received by the  
12 taxpayer authorized pursuant to any of the following federal  
13 programs:

14 (1) Pandemic unemployment assistance, Coronavirus Aid,  
15 Relief, and Economic Security Act, Pub. L. No. 116-136, §2102.

16 (2) Pandemic emergency unemployment compensation,  
17 Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No.  
18 116-136, §2107.

19 (3) Pandemic unemployment compensation related to  
20 subparagraphs (1) and (2) approved by the memorandum  
21 authorizing the other needs assistance program for major  
22 disaster declarations related to the coronavirus disease 2019,  
23 issued by the president of the United States on August 8, 2020.

24 (4) Extension of pandemic unemployment compensation under  
25 subchapter 1 of the Consolidated Appropriations Act, 2021, Pub.  
26 L. No. 116-260.

27 *b.* This subsection is repealed January 1, 2027.

28 Sec. 8. EFFECTIVE DATE. This division of this Act, being  
29 deemed of immediate importance, takes effect upon enactment.

30 Sec. 9. RETROACTIVE APPLICABILITY. This division of this  
31 Act applies retroactively to January 1, 2020, for tax years  
32 beginning on or after that date but before January 1, 2022.

33 EXPLANATION

34 The inclusion of this explanation does not constitute agreement with  
35 the explanation's substance by the members of the general assembly.

1 This bill excludes from Iowa net income federal recovery  
2 rebates, certain paycheck protection program loan forgiveness,  
3 and pandemic-related unemployment compensation. The bill is  
4 divided into divisions.

5 DIVISION I — FEDERAL RECOVERY REBATES. The bill relates to  
6 the state taxation of the federal recovery rebates (stimulus  
7 checks).

8 In determining the amount of deduction for federal income  
9 tax for tax years beginning in the 2020 calendar year, the  
10 amount of the deduction for the tax year shall not be adjusted  
11 by the second round of stimulus checks received during the tax  
12 year of the income tax rebate provided pursuant to the federal  
13 Consolidated Appropriations Act, 2021, and the amount of such  
14 income tax rebate shall not be subject to state taxation.

15 Current law excludes the first recovery rebate in 2020 Iowa  
16 Acts, chapter 1118, section 114.

17 The division takes effect upon enactment.

18 DIVISION II — PAYCHECK PROTECTION PROGRAM (PPP). The bill  
19 excludes from the calculation of Iowa income tax the federal  
20 paycheck protection program second draw loan proceeds from the  
21 federal Consolidated Appropriations Act, 2021, Pub. L. No.  
22 116-260, that are forgiven and excluded from federal gross  
23 income. Current law excludes the first round of paycheck  
24 protection program loan forgiveness in 2018 Iowa Acts, chapter  
25 1118, section 109.

26 The division takes effect upon enactment and applies  
27 retroactively to January 1, 2021, for tax years beginning on  
28 or after that date but before tax years beginning on or after  
29 January 1, 2022.

30 DIVISION III — UNEMPLOYMENT COMPENSATION. Under the bill,  
31 a taxpayer who has received compensation authorized pursuant to  
32 certain federal programs shall not include in the taxpayer's  
33 Iowa net income the following: pandemic unemployment  
34 assistance; pandemic emergency unemployment compensation;  
35 pandemic unemployment compensation received through the

1 memorandum issued by the president of the United States on  
2 August 8, 2020; and the extension of pandemic unemployment  
3 compensation.

4     The division takes effect upon enactment and applies  
5 retroactively to January 1, 2020, for tax years beginning on or  
6 after that date but before January 1, 2022.